
1. INTERPRETATION AND OBJECTIVES

This Charter must be interpreted and applied jointly with the other charters and governance policies adopted by the Board.

This Charter sets forth the fundamental principles endorsed by the board of directors (the "Board") of TSO₃ (the "Corporation") which must take precedence in determining the formation and functioning of the Audit and Risk Management Committee (the "Committee").

2. MANDATE

The Committee shall assist the Board in its responsibility for oversight and, to this end, shall serve as an intermediary between the Board, the management and the external auditors to ensure compliance, integrity of financial information, and accuracy and effectiveness of the control systems and of the auditing and information management processes. The Committee shall also be responsible for reviewing risk management and related control methods and shall ensure compliance with legal and regulatory requirements.

3. COMPOSITION

- 3.1 The Committee shall consist of at least three (3) members of the Board who are independent directors within the meaning of *Regulation 52-110 respecting Audit Committees* of the Canadian Securities Administrators.
 - 3.2 The members shall be appointed and removed by the Board.
 - 3.3 The members shall be appointed annually by the Board after the annual meeting of the shareholders of the Corporation.
 - 3.4 The Board shall name one of the directors as chair of the Committee. If the chair is absent from a meeting, the members present shall choose a member among them to act as chair of the meeting.
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- 3.5 Vacancies on the Committee shall be filled by the Board if it deems appropriate. The failure to fill a vacancy shall not invalidate the decisions of the Committee, provided that a quorum was reached.

4. QUORUM

- 4.1 A quorum is obtained by the presence at the meeting of a majority of the members of the Committee.
- 4.2 There must be a quorum for the entire duration of the meeting to enable the Committee members to validly deliberate and make a decision. However, where a member is temporarily absent from a Committee meeting, he or she is deemed to be present for purposes of establishing a quorum.

5. MEETINGS

- 5.1 Meetings of the Committee shall be held at the call of the chair at least twice (2) per year. Meetings may be called by the Committee chair or the chair of the Board; such notice may also occasionally be made to meet a special request of the management
- 5.2 The notice of meeting for each meeting shall be delivered to each member at least two (2) days before the meeting is held. A copy thereof shall be sent to the chief executive officer.
- 5.3 The Chair must ensure that minutes are kept for each committee meeting.
- 5.4 That chair of a Committee shall draw up the agenda, shall chair the meetings, and shall submit the reports and recommendations to the Board.
- 5.5 Meetings are held either in the presence of the members, by telephone conference call, or by written resolution signed by all of the Committee members.
- 5.6 The Committee has the duty and authority to appoint paid external advisors where necessary and, if costs exceed \$3,000.00 the approval of the Chairman of the Board shall be necessary.

- 5.7 The Committee may, if necessary, invite any person to attend any meeting and participate in the discussions and review of the Committee's business. The CEO and/or the CFO are automatically invited to attend all meetings and they should withdraw when there is a conflict of interest or an appearance of a conflict of interest.
- 5.8 The minutes of every Committee meeting, duly reviewed by the Committee chair and approved by the Committee, shall be kept in a special register maintained for this purpose at the Corporation's head office.
- 5.9 Once approved, the minutes of every Committee meeting shall be summarized by the Committee chair at a subsequent meeting of the Board.
- 5.10 The Committee members are entitled to receive compensation, as determined by the Board.

6. ROLES ET RESPONSIBILITIES

6.1 Internal control

- 6.1.2 Understand the controls and processes established by the management to ensure that the financial statements produced on the basis of the existing financial systems are in compliance with the applicable standards and requirements and are subject to the appropriate review by the management.
- 6.1.3 Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of any other financial information extracted or derived from its financial statements.
- 6.1.4 Be familiar with the sectors that currently involve financial risks and the manner in which these risks are addressed by the management.
- 6.1.5 Determine how the management fulfills its responsibilities with respect to the security of the systems and computing applications and what the emergency plans are for processing financial information in the event of a system failure.
- 6.1.6 Determine whether the management is applying the recommendations of the external auditors relating to internal control.

6.1.7 Establish procedures for 1) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters, and 2) permit the Corporation's employees to submit their concerns regarding questionable accounting or auditing matters on a confidential and anonymous basis.

6.2 External audit

6.2.1 Assess the independence of the external auditors and any potential conflicts of interest.

6.2.2 Review the professional qualifications of the auditors, assess the performance of the external auditors every year, and make recommendations to the Board concerning their appointment and compensation.

6.2.3 Review the external auditors' proposed audit scope, plan and approach for the current year in light of the Corporation's present circumstances and changes in regulatory and other requirements.

6.2.4 Supervise the work of the external auditors, including the degree of cooperation obtained from the officers of the Corporation, differences of opinion, and any resolution of disagreements between the management and the external auditors regarding the financial information.

6.2.5 Hold private meetings annually, or more frequently when required, with the external auditors in the absence of management to discuss any matters relating to internal control and the accuracy of the financial statements, any problem encountered in carrying out their audit mandate or relating to access to the requisite information, the quality of the financial personnel, the degree of cooperation obtained from management, differences of opinion, or other significant unresolved disputes.

6.2.6 Discuss with the external auditors the appropriateness of the accounting policies applied in the Corporation's financial reports and assess whether they are considered as aggressive, balanced or conservative.

6.2.7 Approve all audit engagement fees and the terms thereof and review the policies for the provision of non-audit services by the external auditors and, when required, the framework for pre-approval of such services.

6.2.8 Review and approve the Corporation's policies on the hiring of partners and employees and former partners and employees of the Corporation's current or previous external auditor.

6.3 Financial reporting

- 6.3.1 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 6.3.2 Review and revise the unaudited interim financial statements, the audited annual financial statements and any document related to such financial statements, including the external auditors' report, before they are filed or released. Determine whether they are complete and consistent with the information known to Committee members, assess whether they reflect appropriate accounting principles, and recommend their approval to the Board.
- 6.3.3 Review, revise and recommend the approval by the Board of any audited or unaudited financial information documents that are to be released, including the management's discussion and analysis, all sections of the annual report, and the press releases regarding the annual and interim statements, and determine whether the information contained therein is comprehensible and consistent with the Committee members' knowledge of the Corporation and its operations.
- 6.3.4 Review the compliance certificates prepared by the president and chief executive officer and the vice-president, finance and chief financial officer relating to the Corporation's controls and financial reporting procedures, and the certificate by management concerning the financial reports.
- 6.3.5 Pay special attention to complex and/or unusual transactions such as those giving rise to restructuring charges.
- 6.3.6 Assess matters requiring judgment such as those involving valuation of assets and liabilities, warranty, product and environmental liability, litigation reserves and other commitments and contingencies.
- 6.3.7 Be briefed on how management develops and summarizes interim financial information and the extent to which the external auditors review interim financial information.
- 6.3.8 Assess the fairness of the interim financial statements and preliminary information and monitor primarily the following:
- Actual financial results for the interim period do not vary significantly from budgeted or projected results;
 - Changes in financial ratios in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;

- Generally accepted accounting principles have been consistently applied;
- No changes have been made in accounting or financial reporting practices;
- No significant or unusual events or transactions have occurred that could have an impact on the financial reporting;
- Announcements of preliminary results and the interim financial statements contain adequate and appropriate disclosure.

6.4 Legal and regulatory compliance

- 6.4.1 Review the effectiveness of the system for monitoring compliance with laws and regulations.
- 6.4.2 Determine, with the assistance of the external auditors, whether fraud or illegal acts have been committed, and whether there are any deficiencies in internal control and review any other related matters. Periodically obtain updates from the management and the Corporation's legal counsel regarding compliance issues and major litigation.
- 6.4.3 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- 6.4.4 Review the findings of any examinations conducted by regulatory agencies.

6.5 Other responsibilities

- 6.5.1 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- 6.5.2 Review the policies and procedures in effect for considering officers' expenses and other benefits.
- 6.5.4 Perform any other oversight functions as requested by the Board.
- 6.5.5 The Committee shall review and approve the Corporation's policies on investments and the liquidities and monitor compliance therewith.
- 6.5.6 The Committee shall periodically review and approve related party transactions for potential conflicts of interest.

7. MISCELLEANOUS

- 7.1 The Committee shall conduct regular evaluations of the Committee's own performance and effectiveness.
- 7.2 The Committee shall periodically review and assess the relevance of this Charter and recommend any appropriate changes thereto to the Board.
- 7.3 The Committee shall exercise any other functions entrusted to it by the Board and make the appropriate recommendations.